



July 21, 2011

Jennifer J. Johnson
Secretary, Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Re: FRB Docket No. 1417 – Regulation Z – “Qualified Mortgage”

Dear Secretary Johnson:

Johnson Financial Group, Inc. (“JFG”) is a \$5.0-billion financial holding company headquartered in Racine, Wisconsin, operating through several affiliated companies primarily in the states of Wisconsin and Arizona. Our product/service lines include banking, trust, and investment services (Johnson Bank), an insurance agency (Johnson Insurance Services, LLC), and branded brokerage and credit card services (with joint marketing partners).

Definition of “Rural” Under Balloon-Payment Qualified Mortgage

Johnson Bank is gravely concerned that it will no longer be able to offer portfolio mortgage loans because the definition of rural is too restrictive. While Johnson Bank acknowledges the statutory language under the Dodd-Frank Act regarding this particular provision and the attempt made to accommodate community banks that make short-term balloon loans as a way to hedge against interest rate risk, the adoption of this rule will clearly prohibit Johnson Bank from continuing to make sound credit-worthy mortgages not only in rural, but in all, segments of our service area.

Johnson Bank is incredibly frustrated that such accommodation is limited to a predominately rural area. We strongly recommend that a de-minimis provision be added to allow small banks (following what seems to be becoming the standard of \$10-billion in asset size) to continue to serve the mortgage needs of smaller communities. Johnson Bank has always offered short-term balloon loans; and the performance/payment history of clients who accept these terms (rural or not) have always been most satisfactory. The ability of the bank to provide non-secondary market-eligible mortgage financing in all areas, while managing its interest rate risk, and

provide for the borrower to obtain a viable mortgage product has always created a win-win scenario for all.

Eliminating the ability of community banks to offer needed and sound financial products to local, often less served borrowers does not help anyone and Johnson Bank does not believe the proposed rule was the intent of Congress.

Summary

Johnson Bank does not believe this proposal was the intent of Congress. Once again, community banks like Johnson Bank AND the communities they serve are being hurt by the actions of the Wall Street Banks and this rule making process.

Johnson Bank respectfully requests that the definition be broadened to allow community banks to continue to offer short-term balloon loans in all markets they serve.

Thank you for the opportunity to comment on this proposal.

Sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

John R. Topczewski, SVP & Chief Compliance Officer, Johnson Bank

cc: Russell C. Weyers, President, Johnson Bank
Rose Oswald Poels, President and Chief Executive Officer, Wisconsin Bankers Association